

**CITY OF DENVER**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2014**

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## **City of Denver**

### **Officials**

#### **After December 2013**

Rod Diercks	Mayor	Dec 2017
Joel Wikner	Mayor Pro Tem	Dec 2017
Mary Scharnhorst	Council Member	Dec 2017
David Larson	Council Member	Dec 2017
Jeremie Peterson	Council Member	Dec 2015
Mark Richmann	Council Member	Dec 2015
Larry Farley	City Administrator/Clerk	
Dale Goeke	Attorney	

#### **Before January 2014**

Rod Diercks	Mayor	Dec 2013
Joel Wikner	Mayor Pro Tem	Dec 2013
Lyle Faust	Council Member	Dec 2013
(Replaced in Special Election by Mary Scharnhorst Jan 2013)		
Mary Scharnhorst	Council Member	Dec 2013
David Larson	Council Member	Dec 2013
Jeremie Peterson	Council Member	Dec 2015
Mark Richmann	Council Member	Dec 2015
Larry Farley	City Administrator/Clerk	
Dale Goeke	Attorney	

**City of Denver**



James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
Donald A. Snitker, C.P.A.  
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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver, Iowa, as of and for the year ended June 30, 2014, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the

City of Denver as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U. S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Denver's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2014 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information and the budgetary comparison information on pages 22 through 24 not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The City of Denver has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2014 on our consideration of the City of Denver's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Denver's internal control over financial reporting and compliance.



Ridihaugh, Fuelling, Snitker, Weber & Co., P.C.

October 27, 2014

## Basic Financial Statement



## City of Denver

## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

Functions / Programs:	Disbursements	Program Receipts	
		Charges for Service	Oper. Grants, Contributions, and Restricted Interest
Governmental activities:			
Public safety	\$ 341,088	177,513	9,764
Public works	425,909	108,412	181,455
Health and social services	6,160	-	-
Culture and recreation	186,977	17,610	46,383
Community and economic development	616,791	-	-
General government	94,196	45,531	-
Debt service	194,506	-	-
Total governmental activities	1,865,627	349,066	237,602
Business type activities:			
Sewer	584,736	512,642	-
Electric	1,266,050	1,214,705	-
Nonmajor business type funds	203,398	165,454	-
Total business type activities	2,054,184	1,892,801	-
Total	\$ 3,919,811	2,241,867	237,602

## General Receipts:

Property tax levied for:  
 General purposes  
 Debt Service  
 Tax increment financing  
 Local option sales tax  
 Unrestricted interest  
 Rents  
 Miscellaneous  
 Transfers

Total general receipts and transfers

Change in cash basis net position  
 Cash basis net position beginning of year

Cash basis net position end of year

## Cash Basis Net Position

## Restricted:

## Nonexpendable:

Permanent Fund

## Expendable:

Streets

Debt Service

Other purposes

## Unrestricted

Total cash basis net position

See notes to financial statements

Program Receipts	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
-	(153,811)	-	(153,811)
-	(136,042)	-	(136,042)
-	(6,160)	-	(6,160)
-	(122,984)	-	(122,984)
-	(616,791)	-	(616,791)
-	(48,665)	-	(48,665)
-	(194,506)	-	(194,506)
-	(1,278,959)	-	(1,278,959)
-	-	(72,094)	(72,094)
-	-	(51,345)	(51,345)
-	-	(37,944)	(37,944)
-	-	(161,383)	(161,383)
-	(1,278,959)	(161,383)	(1,440,342)
	359,239	-	359,239
	58,721	-	58,721
	41,663	-	41,663
	162,502	-	162,502
	4,893	13,392	18,285
	5,709	-	5,709
	4,659	34,167	38,826
	57,418	(57,418)	-
	694,804	(9,859)	684,945
	(584,155)	(171,242)	(755,397)
	1,274,030	2,055,071	3,329,101
	\$ 689,875	1,883,829	2,573,704
	58,048	-	58,048
	200,355	-	200,355
	1,493	-	1,493
	3,961	-	3,961
	426,018	1,883,829	2,309,847
	\$ 689,875	1,883,829	2,573,704

## City of Denver

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2014

	General	Road Use Tax-#110	TIF #125	Nonmajor	Total
<b>Receipts:</b>					
Property tax	\$ 359,239	-	-	58,721	417,960
TIF collections	-	-	41,663	-	41,663
Other city tax	-	-	-	162,502	162,502
Licenses and permits	13,723	-	-	-	13,723
Use of money and property	7,571	-	-	106	7,677
Intergovernmental	20,894	179,483	-	-	200,377
Charges for service	326,985	1,972	-	-	328,957
Miscellaneous	48,945	-	-	2,250	51,195
Total receipts	777,357	181,455	41,663	223,579	1,224,054
<b>Disbursements:</b>					
Operating:					
Public safety	341,088	-	-	-	341,088
Public works	84,238	341,671	-	-	425,909
Health and social services	6,160	-	-	-	6,160
Culture and recreation	186,942	-	-	35	186,977
Community and economic development	406,791	-	210,000	-	616,791
General government	94,196	-	-	-	94,196
Debt service	-	-	50,119	144,387	194,506
Total disbursements	1,119,415	341,671	260,119	144,422	1,865,627
Excess of receipts over disbursements	(342,058)	(160,216)	(218,456)	79,157	(641,573)
Other financing sources (uses):					
Operating transfers in	60,692	136,408	233,000	87,125	517,225
Operating transfers out	(298,572)	(1,235)	-	(160,000)	(459,807)
Total other financing sources (uses)	(237,880)	135,173	233,000	(72,875)	57,418
Change in cash balances	(579,938)	(25,043)	14,544	6,282	(584,155)
Cash balances beginning of year	1,005,956	225,398	(13,051)	55,727	1,274,030
Cash balances end of year	\$ 426,018	200,355	1,493	62,009	689,875
<b>Cash Basis Fund Balances</b>					
Restricted For:					
Streets	\$ -	200,355	-	-	200,355
For Other Purposes	-	-	-	62,009	62,009
Debt Service	-	-	1,493	-	1,493
Assigned	-	-	-	-	-
Unassigned	426,018	-	-	-	426,018
Total cash basis fund balances	\$ 426,018	200,355	1,493	62,009	689,875

See notes to financial statements

## City of Denver

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Governmental Funds

As of and for the year ended June 30, 2014

Total governmental funds cash balances (page 10)	\$ 689,875
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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Cash basis net position of governmental activities (page 9)	\$ 689,875
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\$ 689,875

Change in cash balances (page 10)	\$ (584,155)
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\$ (584,155)

The city does not have an internal service fund.  
Therefore there are no reconciling items.

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Change in cash basis net position of governmental activities (page 9)	\$ (584,155)
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\$ (584,155)

See notes to financial statements

## City of Denver

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2014

	Sewer	Electric	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 512,642	1,214,705	165,454	1,892,801
Use of money and property	2,806	8,620	1,966	13,392
Miscellaneous	5	30,768	3,394	34,167
Total operating receipts	515,453	1,254,093	170,814	1,940,360
Operating disbursements:				
Business type activities	584,736	1,266,050	203,398	2,054,184
Total operating disbursements	584,736	1,266,050	203,398	2,054,184
Excess (deficiency) of operating receipts over (under) operating disbursements	(69,283)	(11,957)	(32,584)	(113,824)
Operating transfers in	40,000	20,380	4,015	64,395
Operating transfers out	(10,421)	(60,553)	(50,839)	(121,813)
Change in cash balances	(39,704)	(52,130)	(79,408)	(171,242)
Cash balances beginning of year	509,234	1,336,166	209,671	2,055,071
Cash balances end of year	\$ 469,530	1,284,036	130,263	1,883,829
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ 469,530	1,284,036	130,263	1,883,829
Restricted for Debt Service	-	-	-	-
Total cash basis fund balances	\$ 469,530	1,284,036	130,263	1,883,829



## City of Denver

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Proprietary Funds

As of and for the year ended June 30, 2014

Total enterprise funds cash balances (page 12)	\$ 1,883,829
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The city does not have an internal service fund. Therefore there are no reconciling items.	-
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Cash basis net position of business type activities (page 9)	\$ 1,883,829
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Change in cash balances (page 12)	\$ (171,242)
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The city does not have an internal service fund. Therefore there are no reconciling items.	-
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Change in cash basis net position of business type activities (page 9)	\$ (171,242)
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See notes to financial statements

City of Denver

Notes to Financial Statements

June 30, 2014

**(1) Summary of Significant Accounting Policies**

The City of Denver is a political subdivision of the State of Iowa located in Bremer County. It was first incorporated in 1893 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and solid waste utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Denver has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The City is represented on the Black Hawk County Consolidated Public Safety Communications Board, Black Hawk Conference Board, Black Hawk County Management Ageing, Black Hawk County Solid Waste Management Commission and Multi-Jurisdictional Hazard Mitigation Plan-Dunkerton and Gilbertville.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories:

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund (#110) is used to account for road construction and maintenance.

The TIF Fund is used to account for the receipt and disbursement monies for Tax Incremental Financing.

The City reports the following major proprietary funds:

The Enterprise Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise Electric Fund accounts for the operation and maintenance of the City's electric system.

#### C. Measurement Focus and Basis of Accounting

The City of Denver maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted



cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances:**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable-Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted-Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state, or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned-Amounts the Council intends to use for specific purposes.

Unassigned-All amounts not included in other spendable classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014 the City did not exceed amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk-The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days and meet their definition of *Instruments Eligible for Investment*. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

### (3) Bonds and Notes Payable

Annual debt service requirements to maturity of the General Obligation Capital Loan Notes and Revenue Bonds are as follows:

Year Ending June 30,	Capital Obligation and Revenue Bond	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 158,553	29,741
2016	159,245	23,822
2017	159,983	17,855
2018	110,738	11,873
2019	89,856	8,088
2020-2023	<u>151,865</u>	<u>7,512</u>
	\$ <u>830,240</u>	<u>98,891</u>

#### General Obligation Notes & Bonds:

The City issued a \$500,000 General Obligation Street Improvement Note, dated August 1, 2007, with an interest rate of 4.45%. The notes were issued for the purpose of financing improvements to the city's streets. Principal on the note is payable in ten equal annual installments of \$50,000 each, due on June 1 of each year. First payment was June 1, 2008 and the last payment is due June 1, 2017. Balance at June 30, 2014 was \$150,000.

The City issued a \$275,000 General Obligation Economic Development Note, dated February 1, 2008, with an interest rate of 4.35%. Interest on the note is due on June 1 of each year 2009 to 2020. Principal is due in ten equal installments of \$27,500 each on June 1 of each year 2011 to 2020. Balance at June 30, 2014 was \$165,000.

The City has a \$193,684 General Obligation Note, Series 2006 Fire Truck Pumper, dated April 19, 2010 with an interest rate of 4.0 %. Payments of \$23,610 are due each June 30, beginning June 1, 2011. Balance at June 30, 2014 was \$124,974.

The City has a \$300,000 General Obligation Storm Sewer Improvement Note, dated November 15, 2011 with an interest rate of 2.9%. Payments are due on June 1 of each year beginning June 1, 2012. Payments are \$30,000 principal plus interest for ten years, with last payment June 1, 2021. Balance at June 30, 2014 was \$210,000.

The City has a \$130,000 General Obligation Fire Equipment Note, dated June 1, 2012 with an interest rate of 3.0%. There are six equal payments of \$21,667.67 due on June 1 in each of the years 2014 to and including 2018. Balance at June 30, 2014 was \$86,666.

#### Revenue Bond:

The City issued \$104,000 of urban renewal tax increment financing (TIF) revenue bonds in January 2013 for the purpose of planning, undertaking, and carrying out projects within the



urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Revenue Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal increment financing revenue bonds shall be expended only for purposes which are consistent with the renewal tax increment plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining of the bonds is \$106,470, payable through June 2023. Balance at June 30, 2014 was \$93,600.

#### **(4) Pension and Retirement Benefits**

##### **Iowa Public Employees Retirement System**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 was \$46,124, \$42,786 and \$39,290 respectively, equal to the required contributions for the year.

#### **(5) Other Postemployment Benefits (OPEB)**

Plan Description-As of June 30, 2014 the City was paying 100% of the medical insurance for the City Administrator. Other City full time employees paid a portion of their medical insurance. The City pays either family or single coverage depending on the employees' status. The City is self-insured for dental benefits. Dental benefits follow similar coverage criteria, deductibles and co-insurance as Delta Dental.

Funding Policy-The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. Monthly premiums for the City and plan members as of June 1, 2014 were \$431 medical for single coverage and \$1,078 medical for family. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$44,747 and plan members eligible for benefits contributed \$7,676 to the plan.

International City Management Association-The City contributes to the International City Management Association Retirement Corporation (ICMA-RC) on behalf of its City Administrator. ICMA-RC is a 457 deferred compensation plan. The City contributes at the IPERS rate. The City's contributions to ICMA-RC for the year ended June 30, 2014 was \$6,477.

#### **(6) Compensated Absences**

City of Denver employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment. It is payable when used and may be

accumulated is ninety days. Vacation is payable when used and accumulates based on an employee's anniversary date. These accumulations are not recognized as disbursements by the City until used or paid. At the end of employment, providing the employee has given two week notice, the City will pay for any unused vacation and for accumulated sick leave. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2014 was \$24,346. The City's approximate liability for sick leave, reimbursed at 50% of the sick leave amount, at June 30, 2014 is \$25,627. This liability has been computed based on rates of pay in effect at June 30, 2014.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Business Type:	
	Electric	\$ <u>60,692</u>
Special Revenue:	Business Type:	
Road Use Tax	Water	8,204
	Sewer	8,204
	Special Revenue:	
	Local Option Sales Tax	<u>120,000</u>
		<u>136,408</u>
Local Option Sales Tax	Sewer	<u>1,637</u>
TIF	General	<u>233,000</u>
Debt Service	General	48,528
	Business Type:	
	Storm Water	<u>36,960</u>
		<u>85,488</u>
Business Type:	Special Revenue:	
Sewer	Local Option Sales Tax	<u>40,000</u>
Water	General	<u>4,015</u>
Electric	General	12,890
	Road Use Tax	1,235
	Water	5,675
	Sewer	<u>580</u>
		<u>20,380</u>
Total Interfund Transfers		<u>\$581,620</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Related Party Transactions**

The City had no business transactions between the City and City employees during the year ended June 30, 2014.

**(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in past fiscal year.

**(10) Deficit Balance**

The City had a deficit balance in the Debt Service Fund at June 30, 2014.

**(11) Lease Agreement**

The City pays \$2,000 per month for an aeration system for the lagoon. The City does not have a lease agreement on this, but does have an original three month trial paper work from 2004.

**(12) Litigation**

There is no pending litigation pending involving the City of Denver.

**(13) Subsequent Events**

The City has evaluated subsequent events through October 27, 2014, the date of the financial statements.



## Other Information

City of Denver

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 417,960	-	-
Tax increment financing collections	41,663	-	-
Other city tax	162,502	-	-
Licenses and permits	13,723	-	-
Use of money and property	7,677	13,392	-
Intergovernmental	200,377	-	-
Charges for service	328,957	1,892,801	-
Special assessments	-	-	-
Miscellaneous	51,195	34,167	-
Total receipts	1,224,054	1,940,360	-
Disbursements:			
Public safety	341,088	-	-
Public works	425,909	-	-
Health and social services	6,160	-	-
Culture and recreation	186,977	-	-
Community and economic development	616,791	-	-
General government	94,196	-	-
Debt service	194,506	-	-
Business type activities	-	2,054,184	-
Total disbursements	1,865,627	2,054,184	-
Excess of receipts over disbursements	(641,573)	(113,824)	-
Other financing sources, net	57,418	(57,418)	-
Excess of receipts and other financing sources over disbursements and other financing uses	(584,155)	(171,242)	-
Balances beginning of year	1,274,030	2,055,071	-
Balances end of year	\$ 689,875	1,883,829	-

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
417,960	417,486	417,486	474
41,663	342,258	342,258	(300,595)
162,502	161,979	161,979	523
13,723	14,345	14,345	(622)
21,069	34,480	34,480	(13,411)
200,377	286,495	286,495	(86,118)
2,221,758	1,991,870	1,991,870	229,888
-	5,500	5,500	(5,500)
85,362	42,350	42,350	43,012
3,164,414	3,296,763	3,296,763	(132,349)
341,088	417,467	417,467	76,379
425,909	400,878	460,878	34,969
6,160	8,000	8,000	1,840
186,977	170,697	260,697	73,720
616,791	210,124	510,124	(106,667)
94,196	91,655	141,655	47,459
194,506	144,388	499,388	304,882
2,054,184	5,564,525	5,564,525	3,510,341
3,919,811	7,007,734	7,862,734	3,942,923
(755,397)	(3,710,971)	(4,565,971)	3,810,574
-	4,000,500	4,000,500	(4,000,500)
(755,397)	289,529	(565,471)	(189,926)
3,329,101	3,088,329	3,088,329	240,772
2,573,704	3,377,858	2,522,858	50,846

City of Denver

Notes to Other Information – Budgetary Reporting

June 30, 2014

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended and increased budgeted disbursements by \$855,000. The amendment was partially to reflect additional supplies and street repairs from extended winter, Splash Pad at City Park, Park & Rec uniforms, additional Economic Development Projects, Denver entrance sign, Local Option Sales Tax Special Election, and additional attorney fees due to projects.

## **Supplementary Information**

## City of Denver

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Local Option Sales Tax #121	Debt Service #200	NonMajor Permanent Funds #500	Total
Receipts:				
Property tax	\$ -	58,721	-	58,721
Other city tax	162,502	-	-	162,502
Use of money and property	-	-	106	106
Miscellaneous	-	-	2,250	2,250
Total receipts	162,502	58,721	2,356	223,579
Disbursements:				
Operating:				
Culture and Recreation	-	-	35	35
Debt Service	-	144,387	-	144,387
Total disbursements	-	144,387	35	144,422
Excess (deficiency) of receipts over (under) disbursements	162,502	(85,666)	2,321	79,157
Other financing sources:				
Operating transfers in	1,637	85,488	-	87,125
Operating transfers out	(160,000)	-	-	(160,000)
Change in cash balances	4,139	(178)	2,321	6,282
Cash balances beginning of year	-	-	55,727	55,727
Cash balances end of year	\$ 4,139	(178)	58,048	62,009
<b>Cash Basis Fund Balances</b>				
Restricted for Other Purposes	\$ 4,139	(178)	58,048	62,009
Unrestricted	-	-	-	-
	\$ 4,139	(178)	58,048	62,009

See accompanying independent auditor's report



## City of Denver

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2014

	#600 Water	#635 Electric Deposits	#740 Storm Water	Total
Operating Receipts:				
Charges for service	\$ 134,777	9,898	20,779	165,454
Use of money and property	1,679	287	-	1,966
Miscellaneous	-	-	3,394	3,394
Total operating receipts	136,456	10,185	24,173	170,814
Operating Disbursements:				
Business type activities	195,435	7,963	-	203,398
Total operating disbursements	195,435	7,963	-	203,398
Excess (deficiency) of receipts over (under) operating disbursements	(58,979)	2,222	24,173	(32,584)
Operating transfers in	4,015	-	-	4,015
Operating transfers out	(13,879)	-	(36,960)	(50,839)
Change in cash balances	(68,843)	2,222	(12,787)	(79,408)
Cash balances beginning of year	180,028	8,677	20,966	209,671
Cash balances end of year	\$ 111,185	10,899	8,179	130,263
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ 111,185	10,899	8,179	130,263
Restricted for Debt Service	-	-	-	-
Total cash basis fund balances	\$ 111,185	10,899	8,179	130,263

See accompanying independent auditor's report

CITY OF DENVER  
SCHEDULE OF INDEBTEDNESS  
JUNE 30, 2014

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Street Improvement Note	8/1/2007	4.45%	\$ 500,000
General Obligation Economic Development Note-TIF Tierney/Moeller	2/1/2008	4.35%	275,000
General Obligation Street Loan Note, Series 2006 Fire Truck Pumper	4/19/2010	2.90%	193,684
General Obligation Storm Sewer Improvement Note Hoover Street	11/15/2011	2.90%	300,000
General Obligation Fire Equipment Note	6/1/2012	3.00%	130,000
<hr/>			
Total General Obligation			
<hr/>			
Urban Renewal Tax Increment Revenue Bond	1/21/2013	2.75%	104,000

See accompanying independent auditor's report



<u>Balance 7/1/2013</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance 6/30/2014</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 200,000	–	50,000	150,000	8,900	–
192,500	–	27,500	165,000	8,374	–
143,283	–	18,309	124,974	5,301	–
240,000	–	30,000	210,000	6,960	–
108,333	–	21,667	86,666	3,250	–
<hr/>					
\$ 884,116	–	147,476	736,640	32,785	–
<hr/>					
104,000	–	10,400	93,600	3,845	

## City of Denver

## Bond and Note Maturities

June 30, 2014

Year Ending June 30,	General Obligation Street Improv Note		General Obligation Econ Dev-TIF Tierney/Moeller		General Obligation Street Loan Series 2006 Fire Truck Pumper		General Obligation Strm Swr Improv Hoover Street	
	Issued Aug 1, 2007		Issued Feb 1, 2008		Issued April 19, 2010		Issued Nov. 15, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rate	Amount
2015	4.45%	\$ 50,000	4.35%	27,500	2.90%	18,986	2.90%	30,000
2016	4.45%	50,000	4.35%	27,500	2.90%	19,678	2.90%	30,000
2017	4.45%	50,000	4.35%	27,500	2.90%	20,417	2.90%	30,000
2018	4.45%		4.35%	27,500	2.90%	21,172	2.90%	30,000
2019			4.35%	27,500	2.90%	21,956	2.90%	30,000
2020			4.35%	27,500	2.90%	22,765	2.90%	30,000
2021							2.90%	30,000
		<u>\$ 150,000</u>		<u>165,000</u>		<u>124,974</u>		<u>210,000</u>
	General Obligation Fire Equipment Note		Urban Renewal Revenue Bond					
	Issued June 1, 2012		Issued Jan 2013					
	Interest Rate	Amount	Interest Rates	Amount				
2015	3.00%	21,667	2.75%	10,400				
2016	3.00%	21,667	2.75%	10,400				
2017	3.00%	21,666	2.75%	10,400				
2018	3.00%	21,666	2.75%	10,400				
2019			2.75%	10,400				
2020			2.75%	10,400				
2021			2.75%	10,400				
2022			2.75%	10,400				
2023			2.75%	10,400				
		<u>\$ 86,666</u>		<u>93,600</u>				

See accompanying independent auditor's report

## City of Denver

Schedule of Receipts by Source and Disbursements By Function  
All Governmental Funds

For the Last Three Years Ended June 30

	2014	2013	2012
Receipts:			
Property tax	\$ 417,960	429,894	408,320
Tax increment financing	41,663	39,019	92,893
Other city tax	162,502	158,308	124,299
Licenses and permits	13,723	14,110	12,314
Use of money and property	7,677	17,574	27,448
Intergovernmental	200,377	194,555	284,315
Charges for service	328,957	325,275	209,481
Special assessments	-	-	-
Miscellaneous	51,195	24,416	256,637
Total	<u>\$ 1,224,054</u>	<u>1,203,151</u>	<u>1,415,707</u>
Disbursements:			
Operating:			
Public safety	\$ 341,088	355,816	560,374
Public works	425,909	369,765	376,027
Health and social services	6,160	2,421	-
Culture and recreation	186,977	182,067	180,476
Community and economic development	616,791	16,473	1,320
General government	94,196	104,500	86,386
Debt service	194,506	362,687	315,601
Capital projects	-	-	-
Business type	-	-	-
Total	<u>\$ 1,865,627</u>	<u>1,393,729</u>	<u>1,520,184</u>

See accompanying independent auditor's report



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 27, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Denver's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Denver's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Denver's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material statement of the City of Denver's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-14 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Denver's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the city's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City of Denver's Responses to Finding

The City of Denver's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Denver's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Denver during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

October 27, 2014

**City of Denver**



City of Denver

Schedule of Findings and Questioned Costs

June 30, 2014

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. City of Denver is a small city with an office staff consisting of the City Administrator and one assistant clerk. All employees can have custody of cash before depositing. In addition the assistant clerk also records cash received, prepares deposit tickets, compares deposits to records and prepares journal entries.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will review its controls procedures in an attempt to maximize internal control where possible under the circumstances.

Conclusion – Response accepted.

II-B-14 Significant Deficiency – The City of Denver, Iowa prepares financial statements, but does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Management Response – Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change

occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

#### **INSTANCES OF NON-COMPLIANCE**

No matters were noted.

#### **Part III: Findings and Questioned Costs for Federal Awards:**

There were no findings and questioned costs for federal awards.

#### **Part IV: Other Findings Related to Statutory Reporting:**

IV-A-14 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2014.

IV-B-14 Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the Community and Economic Development function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation-The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response-The budget will be amended in the future, if applicable.

Conclusion-Response accepted.

IV-C-14 Questionable Disbursements – We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-D-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-14 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-F-14 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-14 Council Minutes – We did not find in the budget nor in a resolution certain transfers that were made.

Recommendation-All transfers should be budgeted or a resolution should be passed stating where transfers are going, which fund the transfer is coming from and to which fund the transfer is going as well as the amount.

Response-In the future when applicable transfers will be budgeted or a resolution will be passed.



Conclusion-Response accepted.

IV-H-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-I-14 Payment of General Obligation Bonds-Certain payments on General Obligation Debt were paid from the TIF Fund. Chapter 384.4 of the Code of Iowa states, in part "Monies pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the Debt Service Fund."

Recommendation-The City should transfer the monies receipted into the TIF Fund to the Debt Service Fund in the future for payments on the General Obligation debt.

Response-In the future the City will transfer monies from the TIF account to the Debt Service Fund to make payments on the General Obligation debt.

Conclusion-Response accepted.

IV-J-14 Financial Condition-The City had a deficit balance in the Debt Service Fund at June 30, 2014.

Recommendation-Although the deficit is not large the City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response-The City believes that this deficit is merely a matter of timing. Funds will be received to restore this fund to a sound financial position.

Conclusion-Response accepted.

City of Denver

Staff

This audit was performed by:

Donald A. Snitker, CPA, Audit Partner

James Remington, Staff

Brent Waters, Staff